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Federal Communications Commission
Washington, D.C. 20554

90-314

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January 6, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

The Honorable Vernon Ehlers
U.S. House of Representatives
1526 Longworth House Office Building
Washington, D.C. 20515-2203

Dear Congressman Ehlers;

Thank you for your letter regarding GN Docket No. 90-314 on behalf of small telephone companies in Michigan. The Commission has, in an ongoing process, established rules for the provision of Personal Communications Services (PCS). These rules address the important role of rural telephone companies.

The Commission has sought to structure its rules in a manner that recognizes the unique qualities of rural areas. Section 309(j) of the Communications Act emphasizes the need to ensure that the promise of innovation and economic growth that PCS holds is realized throughout all parts of the country. To this end, the Commission's actions on June 9, 1994 and June 29, 1994 delineate several specific provisions that are intended to effectuate the law's intention.

Specifically, the Commission's auction structure provides that rural telephone companies may obtain broadband PCS licenses that are geographically partitioned from PCS service areas. Rural telephone companies may form bidding consortia and partition the licenses won among the consortia participants. Alternatively, a rural telephone company may acquire partitioned broadband PCS licenses from other licensees through private negotiation and agreement, either before or after the auction. In the context of broadband PCS, a rural telephone company is defined as those local exchange carriers, including all affiliates, having 100,000 or fewer access lines.

Additionally, rural telephone companies will likely qualify for the two broadband PCS entrepreneurs' blocks that are committed to smaller businesses, i.e., those with annual gross revenues of less than \$125 million and total assets of less than \$500 million. In these blocks, eligibility will permit local exchange carriers applying for PCS licenses: 1) to obtain up to 85 per cent of their passive equity from larger investors, 2) to pay for their licenses in installments, thus deferring payments of principal on their debt, 3) to obtain tax certificates that defer payment of capital gains realized upon any sale to a company controlled by minorities and women; and 4) to obtain a 25 percent discount on the ordinary upfront payment. In addition, telephone companies with less than \$40 million in annual gross revenues will receive a 10 per cent bidding credit. These benefits are further enhanced for businesses owned by women and minorities.

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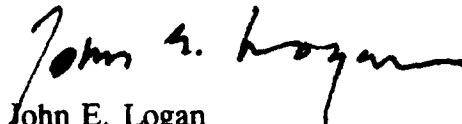
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Throughout its efforts to structure the license awards for PCS, the Commission has strived to be sensitive to the substantial challenges faced by rural areas in attracting the range of opportunities and choices that technology affords. Notably, the proceedings give special recognition to the infrastructure and expertise of rural telephone companies. We think that the various initiatives addressing these needs will provide a meaningful opportunity that will foster the development of PCS in these very areas and throughout the United States.

The Commission very much appreciates receiving your thoughts. They played an important role in the Commission's consideration of how best to resolve the many issues at stake in the PCS proceedings. Please let us know if we can provide any other information.

Sincerely,


John E. Logan
Deputy Director
Office of Legislative and
Intergovernmental Affairs



Congress of the United States of America
House of Representatives

PRB
Auctions
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Vernon J. Ehlers

June 16, 1994

Michigan

Mr. Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, Room 802
Washington, D.C. 20554

Dear Mr. Hundt:

The Federal Communications Commission is about to begin the process of dividing up part of the spectrum in order to provide bands for auction. I am pleased to see new technologies using our airwaves, but I am also concerned that there are inequities in the bidding for some of these airwaves.

In particular, I am concerned that small, local telephone companies will not have the resources to bid against the giant communications companies that have an interest in picking up these airwaves. I believe that there is room for both small and large companies in communications technology.

More rural areas, such as the State of Michigan, have more of these small companies that worry about their ability to buy the airwaves needed to provide new technology services to their area. They play an important role in communications and I hope that you will take this problem into consideration as the FCC makes decisions on how to implement the auction of these licenses.

Thank you for considering my comments as you work through this complex issue.

Sincerely,

Vernon J. Ehlers
Member of Congress

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